

## **INTRODUCTION: PROGRAM OVERVIEW**

- I. **BRIEF OVERVIEW OF THE CDBG GRANT PROCESS.** The following is a brief overview of the CDBG grant process from award notification to contract close-out. More detail on these items is provided within the chapters of this manual.

A. **Grant Award Letter.** When the grant selections are completed and are approved by the Department's Director, the Department mails out award letters to each grantee and its area legislators. These letters inform the grantee that it has received an award of a specified amount and will be receiving a Standard Agreement (contract) to sign. At this point, the grantee waits for the arrival of five copies of the contract to sign, generally mailed within about six weeks of the award letter. Typically the contract takes three to six months to be fully executed. Starting in 2004, the contract term has been reduced from 30 months to 24 months so it is important to begin your funded activities as soon as possible.

Traditionally grantees were required to wait for the state contract to be fully executed before incurring costs on any grant activities. However, starting in the funding year 2004/2005, upon receiving the notice of award, grantees can submit a written request to the state asking for permission to incur costs on general administration (GA) activities prior to receiving a final contract. This written request can also be made for awarded planning and technical assistance grant activities so the proposed studies can be started well before the state contract is fully executed. The state representative will respond in writing giving approval to the grantee to incur costs. If the grantee has included all the proper special condition documentation for their activities in the grant application, or if after being allowed to incur GA costs the grantee submits all the special condition documentation, then the grantee may also submit a written request to the state for approval to incur costs on their specific activities in the application. This change in policy is to allow grantees to start programs or projects prior to receiving a final grant contract and thus spend their funds more quickly under the 24 month contract.

- B. **Standard Agreement (Contract).** The Standard Agreement is the Department's legal contract with the grantee and contains all the terms and conditions of the grant.

As soon as the grantee has received the five contract copies:

Read through the contract carefully and, if possible, have the jurisdiction's attorney read it before the designated local official signs the copies. If the grantee or attorney has any questions, call the CDBG representative (see listing in Appendix C). The contract is a legally binding and enforceable document.

Have the person authorized by the governing body's resolution sign all five copies of the contract and return all five copies to the Department's Business Management Branch at the address given in the cover letter sent with the contracts.

After the signed contracts are returned to the Department, the Department will complete its review process and sign the contracts. (Note: the contract is not effective until it is signed by the Department.) The grantee will receive a complete signed copy of the contract for its records. At that time, the grantee may proceed with meeting any special conditions or, if you have received permission to incur costs, then you request funds for costs incurred to date (see Chapter 1).

- C. **Disbursement Process.** After the contract takes effect, and if written permission is not already received from the state to incur costs, then the grantee may incur general administration costs to meet special conditions such as environmental review and relocation requirements. As stated above, before incurring any program implementation costs or expending any CDBG funds for the program activity, however, the grantee must meet the contract's special conditions and obtain clearance from the Department.

To draw down funds for costs incurred during the contract term, submit a Funds Request form to the Department, as described in Chapter 9. Note that the final Funds Request for cost reimbursement must be received by the Department within ninety (90) days after the contract expires. All work on all activities must be completed by the contract expiration date, within the 24 months of the contract.

- D. **Recordkeeping and Reporting.** The grantee must maintain organized records of its CDBG program activities and expenditures from the time of application for a CDBG grant until at least three years after the completion and resolution of all audits and any litigation, if later. Accounting and recordkeeping requirements and recommendations are detailed in Chapter 7 of this Manual. A well-organized recordkeeping system will facilitate the auditing and monitoring of the grantee's activities (see Chapters 11 and 12).

Throughout the term of the contract, the grantee must submit Financial and Accomplishment Reports (FAR) twice per year for periods ending December 31<sup>st</sup> and June 30<sup>th</sup>. Funds Request Forms (formerly Cash Requests) and Program Income Reports must be submitted four times per year for the quarters ending March 31, June 30, September 30, and December 31. Grantees must also submit annual reports such as the Grantee Performance Reports (GPR) and the Section 3 Report for the year ending June 30. (Planning and Technical Assistance grants do not need a GPR.) Other reports are required for particular grant activities or requirements such as economic development, labor standards, lump sum drawdowns. (See

Chapter 10.)

- E. **Monitoring.** The Department may monitor the grant for program and/or financial compliance sometime during the term of the contract. To be prepared, have records clearly organized, see Chapter 7 and Chapter 12 for information regarding what the Department will review.
- F. **Close-out Procedure.** When the contract expires, the grantee must provide any final products (such as studies or reports completed under a planning grant), a final FAR, the final GPR (except for P/TA grants), a Closeout Certification Letter, any final Funds Request for reimbursement, and any unused grant funds the grantee has received (see Chapter 13.) When the Department determines that all contract terms have been met and any monitoring findings have been resolved, the Department will send a conditional close-out letter.
- G. **Post-grant Activity.** After the grant is closed out, the grantee may have some activity to track and report if the grantee has made loans or otherwise generated Program Income (revenue from this or other closed grants; see Chapter 14).
- II. **TYPICAL CALENDAR OF EVENTS DURING A 30-MONTH GRANT.** The following is a timeline of typical events during a 30-month General/Native American, Colonias or Economic Development grant. Planning and Technical Assistance grants are generally for shorter periods, so the timeline would be condensed.

<u>Grant Month</u>	<u>Responsible Party</u>	<u>Activity(ies)</u>
0	Department	Award letter is sent out and, as requested, state staff allow grantees to incur costs for general administration and where allowable, incur cost for specific programs or projects.
0	Department	Contract takes effect on date stamped by State in lower right hand corner of contract cover sheet
1 - 3	Grantee	Complete and submit Funds Request document to be reimbursed for costs incurred to date or if no costs incurred then begin incurring costs to clear special conditions (e.g., environmental review, site control, other funding commitments)
	Grantee	Establish grant admin file system and set up accounting and recordkeeping systems for the grant

	Grantee	Submit first Funds Request for initial general administration costs and Program Income report
4 <sup>th</sup> Month	Department	Clear special conditions by reviewing and approving submitted documentation and review and approve submitted Funds Requests
	Grantee	Begin work on program activities
Each 6 months	Grantee	Prepare and submit FAR for periods ending 12/31 and 06/30
each quarter	Grantee	Prepare Funds Request and Program Income Reports for periods ending 3/31, 6/30, 9/30, and 12/31; submit to Department by 4/30, 8/15, 10/31, and 1/31 respectively.
each 6 Months	Grantee	Submit labor standards, economic development, and/or lump sum drawdown reports also, reports periods ending 03/31 and 09/30
each July	Grantee	Conduct public hearing regarding grant activities on all open grants and Program Income prior to submitting annual GPR due by 8/15. <u>Grantee may also want to include a public hearing on prospective CDBG activities for the next State funding cycle and on use of Program Income.</u> Prepare and submit annual GPR(s), Program Income and Section 3 Reports, due by 8/15 NOTE: GPRs are not required for P/TA grants.
Within 1 year of end of Fiscal Year	Grantee	Submit annual audit to State Controller's Office (SCO)
12 – 24th	Department	Monitor local program for compliance with contract, State and federal requirements, including financial management
24 <sup>th</sup> Month	Grantee	Clear any monitoring findings, address concerns
24 <sup>th</sup> Month	Grantee	All work completed
by 27th	Grantee	Submit closeout documents, Funds Request for reimbursement, any unused funds
28 <sup>th</sup> Month	Department	Send conditional close-out letter to grantee